DEPARTMENT OF WATER RESOURCES
DIVISION OF FLOOD MANAGEMENT
COST SHARE GUIDELINES FOR STATE-LOCAL COST SHARED FLOOD PROGRAMS AND PROJECTS
Adopted to Comply with AB 5, Sec. 26, Cal. Water Code § 9625

INTRODUCTION

The Department of Water Resources ("DWR"), Division of Flood Management, has historically used cost-sharing formulas for many of the programs in which it provides financial assistance to local agencies for flood control work. In 2007, the legislature enacted AB 5 (Wolk), Ch. 366, Sec. 26 (codified at Cal. Water Code § 9625), which requires DWR to continue this practice by developing cost-sharing formulas for flood programs using funds made available by the Disaster Preparedness and Flood Prevention Bond Act of 2006 (Proposition 1E), and the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) (collectively "the Propositions").

This section establishes four basic requirements for adoption of the cost-sharing formulas. First, the formulas only apply to Proposition 1E and Proposition 84 funds spent for repairs or improvements of facilities included in the State Plan of Flood Control or other facilities to the extent allowed by the Propositions. Further, the minimum State share of the nonfederal portion of the project is 50% and in addition to that, the formulas shall "consider the ability of local governments to pay their share of the capital costs of the project." Finally, DWR is to seek public comment and conduct public meetings. To comply with this legislative mandate, DWR developed the original *Guidelines for Establishing Local Agency Cost-Sharing Formulas* on December 29, 2010. This revision gives further consideration to the Local Agency's ability to pay, provides incentives for multi-benefit projects, and applies to all flood management funding and grant agreements executed after July 1, 2014.

AFFECTED PROGRAMS

The following is the proposed cost-sharing approach for DWR flood management programs. DWR intends to use these guidelines for Urban Flood Risk Reduction, Systemwide Flood Risk Reduction, Small Community Flood Risk Reduction, Local Levee Assistance, Flood System Repairs, and any other FloodSAFE implementation programs. These guidelines will not apply to programs that cost share with federally authorized projects and studies funded by the United States Army Corps of Engineers (USACE) or the Natural Resources Conservation Service (NRCS).[1]

Programs outside of the DWR Division of Flood Management (DFM), such as Delta and IRWM Grants, may elect to adopt any or all of these cost share guidelines on an as-needed basis. However, special attention should be given to the legal authority of

[1] Projects cost shared with the USACE and NRCS will follow the AB 1147 and AB 1788 cost-sharing regulations. See Cal. Water Code § 12585.7 and implementing regulations at 23 C.C.R. §§ 570-576.

their program and any other specific codes, rules, regulations and limitations given therein.

DWR will follow this model as closely as possible, but may deviate where the specific policy needs of the particular program call for a different or augmented approach. All deviations from this structure, including the addition of specific program enhancements, will require approval of the Director of DWR through a Director's decision memorandum.

DWR may amend these Guidelines for Establishing Local Agency Cost-Sharing Formulas. If DWR does so, it intends to follow the same procedures for providing public notice and an opportunity to comment as well as conducting public meetings.

DEFINITIONS

California Median Annual Household Income means the median annual household income for California reported in the most recent census or updated census-based data.

Disadvantaged Area means a Benefited Area with a Median Annual Household Income that is less than the Disadvantaged Household Income.[2]

Disadvantaged Household Income means 80% of the California Median Annual Household *Income.*

Local Agency means a public agency in the State of California, duly organized, existing and acting pursuant to the laws thereof, including, but not limited to, any county, city, city and county, district, or joint powers agency. A Local Agency must have authority to implement flood management projects.

Median Annual Household Income means the median annual household income for the Benefited Area reported in the most recent census or updated census-based data. Two website tools are also provided herein to assist with calculating a rough estimate of this value.

Open Space means any parcel or area of land or water that is essentially unimproved and restricted to an Open Space use. Open Space can be designated as any of the following:

- For the preservation of natural resources
- For managing production of resources, including but not limited to, forest lands, rangeland, and agricultural lands
- For outdoor recreation

[2] Median should be used exclusively except where there is insufficient median income information for estimating or determining the median in a particular area.

- For public health and safety, including, but not limited to, flood plains, watersheds, and areas required for the protection of water quality or groundwater recharge

Project means the footprint defined by the infrastructure and other facilities and the flood corridor contained therein. The project area does not include the flood protected area surrounding the project footprint.

State Facility means either a State Transportation Facility or a State Water Supply Facility.

State Transportation Facility is either
A state-numbered freeway, expressway or highway route as identified in Division 1, Chapter 2, Article 2 of the California Streets and Highways Code and any amendment thereto, including facilities for the transportation of passengers and property to and over any toll bridge, tube or other highway crossing and the approaches to each end thereof, acquired or constructed, or in course of construction by the State; or
A rail line or ship channel if the State has a substantial ownership interest in stationary facilities located within the Benefited Area that are closely associated with the rail line or ship channel and the facilities would be adversely affected by flooding in the Benefited Area. Mere State ownership of land, including submerged land, is not enough to establish that the State has a substantial ownership interest. Mere State ownership of land, including submerged land, is not enough to establish that the State has a substantial ownership interest.

State Water Supply Facility means a State water supply facility listed in Exhibit 1.

Total Project Cost means the portion of the project cost that is to be shared between DWR and the Local Agency. The costs contributed by other State or federal agencies are not included in the Total Project Cost.

STATE COST SHARING OF FLOOD MANAGEMENT PROJECTS

The State base-level cost share for flood management projects is 50% of the Total Project Cost. Cost share may vary from this base share.[3] Applicants may not use other State funds for its local share unless the State agency providing those funds is specifically authorized by the Legislature to allow the Local Agency to use the funds for its local share. The State shall verify and give the applicant its written permission to use the funds provided by the State agency for the local share.

With the exception of the system improvement projects as defined in the 2012 Central Valley Flood Protection Plan (CVFPP) "State Systemwide Investment Approach" (SSIA), all applicants must contribute, at a minimum, 30% of the overall costs of the project. The applicant contribution can be reduced to 20% for project segments that are setback. Also the applicant contribution can be reduced to 10% for disadvantaged communities, and eliminated for system improvement segments. The State cost share of a project can be increased above the base State cost share of 50% by satisfying any of the following objectives: 1) disadvantaged area community[4], 2) system improvement, 3) ecosystem enhancement and restoration, 4) other multi-benefit features, and 5) setback levees, as described below:

1. **Disadvantaged Area Community** – The State will increase the cost share for disadvantaged areas' flood management projects up to 40% in 1% increments. This would increase the State cost share of such projects up to 90% of the Total Project Costs. The exact amount of the increase in the State cost share will depend on the degree to which the Benefited Area is economically disadvantaged at the time the project agreement is executed. The State cost share increase is equal to the difference between the Benefited Area's Median Annual Household Income and the Disadvantaged Household Income, both of which are measured as percentages of the California Median Annual Household Income (rounded to the nearest whole percentage). See Exhibit 2 for how the cost share increase is calculated.

2. **System Improvement** – The State will increase the cost share for system improvement projects up to 50% in 1% increments. This would increase the State cost share of such projects up to 100% of the Total Project Costs. The State will implement system improvement projects, which will potentially result in a variety of cost share percentages for different project segments. System improvement

[3] In addition, the State may cap certain types of project costs at 50%. For instance, environmental compliance (CEQA, NEPA, etc.) preparation work directly related to a project and early consultation with agencies will continue to be capped at a 50% State cost share, consistent with current DWR guidelines. This 50% cost limitation for specific costs applies irrespective of the actual cost-sharing formula for the underlying project.

[4] The Department has defined the terms "Disadvantaged Area" and "Disadvantaged Household Income" in a manner that is consistent with state law. In legislation passed to implement the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, the legislature defined a "Disadvantaged Area" as "a community with an annual median household income that is less than 80% of the statewide annual median household income." Cal. Water Code § 79505.5(a). In recently enacted AB 1788 (Yamada) (Ch. 579), the legislature again used this definition for purposes of establishing the cost-sharing formulas for federal flood control projects. Cal. Water Code § 12585.7(d)(4).

features of flood management in the Central Valley include improvement, expansion, and extension of the bypass system, weirs, gates, pumping plants, and fish passage facilities of the flood management system, etc. as presented in the CVFPP under the SSIA. The State will pay applicants up to 100% of the cost for the DWR-approved system improvement works.

3. **Ecosystem Enhancements and Restorations** – The State will increase the cost share for ecosystem enhancement and restoration projects up to 20% in 1% increments to cover the cost of such features, not including any cost required for project permitting and mitigations. This would increase the State cost share of such projects up to 70% of the Total Project Costs. Environmental enhancements and restorations, which are public trust resources, include, but are not limited to: protecting, creating, enhancing, or providing opportunities for enhancing the ecosystem, including increasing the quantity, diversity, and connectivity of riparian, wetland, floodplain, and shaded riverine aquatic habitats; promoting the recovery and stability of native species populations and overall biotic community diversity; improving conditions for upstream migration, spawning, egg incubation, emergence, rearing, and migration of priority fish species; and improving fish passage through modification or removal of barriers.

4. **Other Multi-benefit Features of the Project** – The State will increase the cost share for Multi-benefit Features of the flood control projects up to 20%, with each feature not exceeding 10% of the Total Project Costs. This would increase the State cost share of such projects up to 70% of the Total Project Costs. Other Multi-benefit features of the project include:

    - Feature 1: Protection of State Facilities – The State will increase the cost share for protection of State Facilities up to 10% in 5% increments. The State will increase its cost share of the Project for significant contributions to the objective of providing flood benefits to a State Facility; State Transportation Facility or State Water Supply Facility (Exhibit 1). A significant contribution for the State Facilities objective requires that state transportation facilities or State water supply facilities receive at least a 10% increase in flood protection. The increase in flood protection may be determined from either a DWR or Central Valley Flood Protection Board-approved feasibility study report or other supplemental information as deemed appropriate by the Department or the Board.

    - Feature 2: Contribution to the State Sustainability Objective – The State will increase the cost share for protection of State Sustainability objective up to 10% in 5% increments. The State will increase its cost share of the project for implementing a significantly increased level of sustainability objectives into the project. The goal of including sustainability objectives in the proposed project is to better manage water resources in a manner that meets California's long-term environmental needs. The applicant should provide evidence that their project has been rated at the Gold or Platinum Award recognition level by the Institute for Sustainable Infrastructure (ISI). The applicants will be entitled to a 5% increase in the State cost share of the Total Project Cost if their project has received a Gold Award from ISI, and a 10% increase in the State cost share of

the Total Project Cost if their project has received a Platinum Award from ISI. Note that habitat, open space, recreation, and disadvantaged elements are some of the sustainability objectives already included in the ISI Envision ranking system.

- Feature 3: Open Space and Recreation – The State will increase the cost share for Open Space and Recreation projects up to 10% in 1% increments to cover the cost of such features. This includes land acquisition, improvement and preservation of open space and recreation beyond what is required for the project. Such lands may be acquired in fee or subject to restrictions, such as open space or conservation easements that permanently restrict the land to open space uses and secure the rights necessary for flood management operations and maintenance. Recreational opportunities include developing and maintaining trails for pedestrians, bicycles, and/or equestrians; modifying the operation of flood protection facilities to increase the diversity and duration of recreational opportunities; enhancing the condition and quality of existing recreational facilities; providing facilities for rafting, canoeing, boating, fishing, viewing wildlife, swimming, or other water-dependent activities; providing interpretive facilities and services that enhance visitor appreciation of natural, historical, and cultural resources; relocating major trails to avoid flooding so that they may remain open all year; and enhancing public beach areas.

- Feature 4: Enhance Water Supply (including groundwater recharge, increase base flow of streams, etc.) – The State will increase the cost share for projects that significantly enhance Water Supply up to 10% in 1% increments to cover the cost of such features. The enhancement of water supply includes increased groundwater recharge, base flow of streams, and any other enhancements documented through engineering studies and modeling work and presented in quantitative means.

5. **Setback Levee** – The State will increase the cost share for segments with setback levee by covering the cost of extra work incurred by building setback levees, minus the cost of the hypothetical repair-in-place or improve-in-place of the project, up to 30% in 1% increments. This would increase the State cost share for the project segment up to 80% of the Total Project Costs. See Exhibit 3 on how to calculate the blended cost share for setback levees.

The increase in State cost share for the Disadvantaged Area Community, State Facilities, and System Improvement will be established at execution of the agreement and will not change. The increase in State cost share for all other features will be estimated at the time the agreement is executed. However, the final State cost share will not be established until project completion/closeout or any final audit thereafter. For example, the final State cost share towards ecosystem enhancements and restorations will be based on the final contribution to each objective made by the applicant. The applicants must avoid documenting duplicative benefits. For example, the State may pay for additional costs associated with setback levee, but will not pay for additional benefits that may result from the levee setback, such as recreation, open space, or increased groundwater recharge.

FEDERAL CREDITS

The State is required to maximize the local and federal shares of projects. Implementation of projects in advance of federal agencies (i.e., USACE and NRCS) would result in foregoing federal contribution to such projects. As a prerequisite to a funding agreement, DWR requires federal credits be applied for by Local Agencies, so the credits can be used in future flood system improvements. For federally sponsored projects, the standard federal/non-federal cost share split is 65% federal and 35% non-federal. The non-federal share is split between the State and Local Agency.

PROJECT COMPLETION DATE

All projects must be completed before the applicable State bond funds have expired. The State will not be responsible for the continuous funding of a project beyond the date when the applicable State bond funds have expired. However, the State may, at its discretion, choose to reallocate other forms of bond or general funding towards continuation of the project, if such funding is available.

DOCUMENTATION

The applicant proposing a project must provide sufficient supporting documents in its application and indicate what cost share it believes is merited for the proposed project. The documents should include a scope of work, schedule and a work plan that explains how the applicant intends to accomplish the objectives that would enhance its cost share. After review of the documentation and other relevant information, DWR will make a determination about the applicant's eligibility for an increased cost share.

EXHIBIT 1

State Water Facilities
Water Supply Facilities of the State Water Project

Part 1. Aqueducts of the State Water Project, Including Joint Use Facilities:

1. Upper Feather River Division
    a. Grizzly Valley Pipeline
    b. Oroville Division
    c. Thermalito Power Canal
3. North Bay Aqueduct
    a. Napa Pipeline
    b. Phase II Pipeline
4. South Bay Aqueduct
    a. Brushy Creek Pipeline
    b. Dyer Canal
    c. Altamont Pipeline
    d. Livermore Valley Canal
    e. Alameda Canal
    f. Del Valle Pipeline
    g. Del Valle Branch Pipeline
    h. La Costa Tunnel
    i. Sunol Pipeline
    j. Mission Tunnel
    k. Santa Clara Pipeline
5. Governor Edmund G. Brown California Aqueduct
6. San Luis Division
    a. E.G. Brown California Aqueduct
    b. San Luis Canal
7. South San Joaquin Division
    a. E.G. Brown California Aqueduct
8. Tehachapi Division
    a. Tehachapi Tunnel No. 1
    b. Tehachapi Siphon No. 1
    c. Tehachapi Tunnel No. 2
    d. Pastoria Siphon
    e. Tehachapi Tunnel No. 3
    f. Carley V. Porter Tunnel
9. Mojave Division
    a. Cottonwood Chutes b. Mojave Siphon
        c. Mojave Siphon Second Pipeline
    d. Mojave Siphon Powerplant Tunnel
    e. East Branch Aqueduct
10. Santa Ana Division
    a. San Bernardino Tunnel
    b. Santa Ana Pipeline
11. West Branch
    a. Oso Canal
    b. Quail Canal
    c. Lower Quail Canal
    d. Peace Valley Pipeline
    e. Gorman Creek Channel Improvements
    f. Angeles Tunnel
12. Coastal Branch
    a. Coastal Aqueduct
    b. Phase I Canal
    c. Phase II Pipeline:

A. Reach No. 1 - Devil's Den to Cholame Valley

B. Reach No. 2 - Cholame Valley to Shedd Canyon

C. Reach No. 3 - Shedd Canyon to Calf Canyon

D. Reach No. 4 - Calf Canyon to Cuesta Canyon

E. Cuesta Tunnel

F. Reach No. 5A1 - Cuesta Tunnel to Fiscalini Ranch

G. Reach No. 5A2 - Fiscalini Ranch to Talley Farms

H. Reach No. 5B - Talley Farms to Nipomo

I. Reach No. 6 - Nipomo to Vandenberg Air Force Base

Part 2. Hydroelectric or Pumping Plants of the State Water Project:

1. Oroville Division
    a. Edward Hyatt Powerplant
    b. Thermalito Powerplant
    c. Thermalito Diversion Dam Powerplant
    d. Sutter-Butte Outlet Powerplant
2. North Bay Aqueduct
    a. Barker Slough Pumping Plant
    b. Cordelia Pumping Plant
3. South Bay Aqueduct
    a. South Bay Pumping Plant
    b. Del Valle Pumping Plant
4. North San Joaquin Division
    a. Harvey O. Banks Delta Pumping Plant
5. San Luis Division
    a. William R. Gianelli Pumping - Generating Plant
    b. Dos Amigos Pumping Plant
6. South San Joaquin Division
    a. Buena Vista Pumping Plant
    b. John R. Teerink Wheeler Ridge Pumping Plant
    c. Ira J. Chrisman Wind Gap Pumping Plant
7. Tehachapi Division
    a. A.D. Edmonston Pumping Plant
8. Mojave Division
    a. Alamo Powerplant
    b. Pearblossom Pumping Plant
    c. Mojave Siphon Powerplant
9. Santa Ana Division
    a. Devil Canyon Powerplant
10. West Branch
    a. Oso Pumping Plant
    b. William E. Warne Powerplant
    c. Castaic Powerplant
11. Coastal Branch
    a. Las Perillas Pumping Plant
    b. Badger Hill Pumping Plant
    c. Devil's Den Pumping Plant
    d. Bluestone Pumping Plant
    e. Polonio Pass Pumping Plant

Part 3. Reservoirs or Dams of the State Water Project:

1. Upper Feather River Division
    a. Frenchman Dam
    b. Frenchman Lake
    c. Antelope Dam
    d. Antelope Lake
    e. Grizzly Valley Dam
    f. Lake Davis
2. Oroville Division
    a. Oroville Dam
    b. Lake Oroville
    c. Parish Camp Saddle Dam
    d. Bidwell Canyon Saddle Dam
    e. Feather River Fish Barrier Dam
    f. Thermalito Diversion Dam
    g. Thermalito Diversion Pool
    h. Thermalito Forebay Dam
    i. Thermalito Forebay
    j. Thermalito Afterbay Dam
    k. Thermalito Afterbay
3. North Bay Aqueduct
    a. Napa Turnout Reservoir
    b. Cordelia Forebay
4. South Bay Aqueduct
    a. Patterson Reservoir
    b. Del Valle Dam
    c. Lake Del Valle
5. North San Joaquin Division
    a. Clifton Court Forebay Dam
    b. Clifton Court Forebay
    c. Bethany Dams
    d. Bethany Reservoir
6. San Luis Division
    a. O'Neill Dam
    b. O'Neill Forebay
    c. B.F. Sisk San Luis Dam
    d. San Luis Reservoir
    e. Los Banos Detention Dam
    f. Los Banos Reservoir
    g. Little Panoche Detention Dam
    h. Little Panoche Reservoir
    i. Arroyo Pasajero Impoundment Basin
7. Tehachapi Division
    a. Tehachapi Afterbay
8. Mojave Division
    a. Cedar Springs Dam
    b. Silverwood Lake
9. Santa Ana Division
    a. Devil Canyon Powerplant Afterbay
    b. Devil Canyon Powerplant Second Afterbay
    c. Perris Dam
    d. Lake Perris
10. West Branch
    a. Quail Lake
    b. Pyramid Dam
    c. Pyramid Lake
    d. Elderberry Forebay
    e. Elderberry Forebay Dam
    f. Castaic Dam
    g. Castaic Lake

Part 4. Other Water Supply Facilities of the State Water Project:

1. Oroville Division
    a. Oroville Area Control Center
2. North Bay Aqueduct
    a. Cordelia Surge Tank
    b. Creston Surge Tank
    c. Travis Surge Tank
3. South Bay Aqueduct
    a. Santa Clara Terminal Facilities
4. North San Joaquin Division
    a. Delta Area Control Center
5. San Luis Division
    a. San Luis Area Control Center
6. South San Joaquin Division
    a. Kern River Intertie
    b. San Joaquin Area Control Center
7. Mojave Division
    a. First Los Angeles Aqueduct Connection
    b. Cedar Springs Dam Maintenance Station
8. Santa Ana Division
    a. San Bernardino Tunnel Intake Structure
    b. Perris Dam Maintenance Station
9. West Branch
    a. Angeles Tunnel Intake Works
    b. Southern California Area Control Center
10. East Branch
    a. First Los Angeles Aqueduct Connection
11. Coastal Branch
    a. Tank Site 1 - Polonio Pass
    b. Tank Site 2 - Creston

EXHIBIT 2

Disadvantaged Area Community Calculation

$$Z = X/Y - 80\%$$

X is the Median Annual Household Income for the Benefitted Area
Y is the California Median Annual Household Income

X/Y is the Relative Median Annual Household Income percentage or the Benefitted Area's Median Annual Household Income relative to the California Median Annual Household Income. If the X/Y value is greater than 100%, then the Benefitted Area is not a Disadvantaged Area.

80% is the threshold percentage of the California Median Annual Household Income that a Benefitted Area community would need to qualify as a Disadvantaged Area. This income percentage is also known as the Disadvantaged Household Income percentage.

Z = X/Y – 80% is the percentage that a Benefitted Area is considered to be disadvantaged. If the Z value is positive, then the Benefitted Area is not a Disadvantaged Area. If the Z value is negative, then the Benefitted Area is a Disadvantaged Area.

Some examples as follows:

The exact amount of the increase in the State cost share will depend on the degree to which the Benefited Area is economically disadvantaged at the time the project agreement is executed. The enhancement is equal to the difference between the Benefited Area's Median Annual Household Income and the Disadvantaged Household Income, measured as percentages of the California Median Annual Household Income (rounded to the nearest whole percentage). Three examples illustrate this approach, assuming $61,000 California Median Annual Household Income:

A. Benefited Area "A" has a Median Annual Household Income of $51,800, which is 84.9% of the California Median Annual Household Income ($51,800/ $61,000 = 84.9%). The Relative Median Annual Household Income percentage (84.9%) exceeds the Disadvantaged Household Income percentage (80%). Thus, the Benefitted Area would not be eligible for a Disadvantaged Area State cost share increase.

X = $51,800
Y = $61,000
X/Y = 84.9%
Z = 84.9% - 80% = 4.9%
The Z value is positive, so the Benefitted Area is not a Disadvantaged Area.

B. Benefited Area "B" has a Median Annual Household Income of $42,900, which is 70.3% of the California Median Annual Household Income ($42,900/ $61,000 = 70.3%). The difference between the Relative Median Annual Household Income percentage (70.3%) and the Disadvantaged Household Income percentage (80%) is -9.7% (70.3% - 80% = -9.7%). Thus, the Benefitted Area would be eligible for a Disadvantaged Area State cost share increase of 9.7%, which would be rounded up to 10%.

X = $42,900
Y = $61,000
X/Y = 70.3%
Z = 70.3% - 80% = -9.7%
The Z value is negative, so the Benefitted Area is a Disadvantaged Area. The Disadvantaged Area State cost share increase is 9.7% (rounded up to 10%).

C. Benefited Area "C" has a Median Annual Household Income of $33,500, which is 54.9% of the California Median Annual Household Income ($33,500/ $61,000 = 54.9%). The difference between the Relative Median Annual Household Income percentage (54.9%) and the Disadvantaged Household Income percentage (80%) is -25.1% (54.9% - 80% = -25.1%). Thus, the Benefitted Area would be eligible for a Disadvantaged Area State cost share increase of 25.1%, which would be rounded down to 25%.

X = $33,500
Y = $61,000
X/Y = 54.9%
Z = 54.9% - 80% = -25.1%

The Z value is negative, so the Benefitted Area is a Disadvantaged Area. The Disadvantaged Area State cost share increase is 25.1% (rounded down to 25%).

EXHIBIT 3

Cost Sharing for Project Setback Levees

The Department will pay a State cost share for Projects or Project components that are setback levees. The following is a brief description of how the State will determine the State cost share for setback levees:

A. Define the Portion of the Project Eligible for Application of the Setback Levee Rules

For purposes of applying the cost sharing rules for a setback levee, it will be important to determine whether the entire Project is a setback levee or whether one or more Project segments is a setback levee. Thus, the Applicant should provide adequate documentation to support their project proposal.

B. Determine the State Cost Share for Hypothetical Repair/Improve-in-Place Project

For any Project that includes a setback levee, the Applicant will be required to describe a hypothetical repair-in-place or improve-in-place project, depending on whether it is a Repair Project or an Improvement Project. The Applicant shall prepare an analysis of what the appropriate State cost share would be for the hypothetical Project, including any increase in the State cost share that the hypothetical Project would be entitled to for meeting the multi-benefit objectives. For purposes of this analysis, the Applicant should not take into account that the actual Project will include construction of the setback levee. On the basis of this analysis, the State will determine what the appropriate State cost share would be for the hypothetical repair-in-place or improve- in-place project.

C. Determine the Incremental Cost of Constructing a Setback Levee

The Applicant will also be required to submit an analysis of the incremental cost of building a setback levee rather than the hypothetical repair-in-place or improve-in-place project. The State will review the Applicant's estimate to make sure that it fairly and accurately reflects the likely incremental costs.

D. Determine the State Cost Share

The State will pay the State's cost share for the hypothetical repair-in-place or improve-in-place project plus 100% of the incremental additional Eligible Project Costs incurred as a result of constructing the setback levee instead of the hypothetical repair-in-place or improve-in-place project, up to 30% of total project costs. For the State to cost share in the setback levee above the cost of repair-in-place or improve-in place, the setback

levee must provide regional benefits in flood risk reduction or significant environmental benefits in the judgment of the State.

Example:

Cost of improving a levee segment is $600,000 with State cost share of 60%, the State share would be $600,000 x 60% = $360,000.

Cost of building a setback levee for this levee segment is $1 million.

Incremental cost of setback levee would be $1,000,000 - $600,000 = $400,000.

At 100% State cost share for this incremental cost, total State share for this project segment would be $400,000 + $360,000 = $760,000.

The blended State cost share for this segment would be $760,000 / $1,0200,000 = 76%, which is less than the 80% cap.

Scope of Work	Cost	Cost Share	State Share
Repair in Place	$600,000	60%	$360,000
Setback Levee	$1 million	?	
Incremental Cost of Setback	$1,000,000 - $600,000 = $400,000	100%	$400,000
Blended Cost Share	($420,000 + 600,000)/$1.2 million	76%	$760,000

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EXHIBIT 4

Project Cost Share Calculation Worksheet:

Project Cost Share Calculation		
Section No.	Criteria Description	Score (%)
1. BASE STATE COST SHARE		
A	Baseline	50%
2. DISADVANTAGED AREA COMMUNITY		
Exception to 70% cap, if the area qualifies (90% cap)		
A	Disadvantaged Area Community Percentage (0-40%)	
3. ECOSYSTEM ENHANCEMENTS AND RESTORATIONS		
A	Ecosystem Enhancements and Restorations Percentage (0-20%)	
4. MULTI-BENEFIT FEATURES		
Combination of State Facilities, Sustainability, Open Space and Recreation, and Water Supply Percentage (0-20%)		
A	State Facilities Objective (0/5/10%)	
B	State Sustainability Objective (0/5/10%)	
C	Open Space and Recreation Objective (0-10%)	
D	Water Supply Objective (0-10%)	
E	Total of Line Items (3A + 3B + 3C + 3D)	
F	Enter Lesser Value of 3E OR 20%	
5. SETBACK LEVEE SEGMENT		
Exception to 70% cap for the blended rate of the segment (80% cap)		
A	Setback Levee Segment Blended Rate (0-30%)	
B	Total (1A + 5A) – ***This percentage only applies to this segment of work***	
6. SYSTEM IMPROVEMENT SEGMENT		
Exception to 70% cap, if this plan is opted for (100% cap)		
A	System Improvement Percentage (0-50%)	
B	Total (1A + 6A) – ***This percentage only applies to this segment of work***	
7. GRAND TOTAL OF PROJECT COST SHARE		
A	Total (1A + 3A + 4F)	
B	Enter Lesser Value of 7A OR 70%	
C	Total (7B + 2A)	
D	Enter Lesser Value of 7C OR 90% - **Project Cost Share**, except for Setback Levee and System Improvement segments of work	

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EXHIBIT 5

Example Cost Share Formula Calculation for a Project

The following step-by-step description provides insight into the method used to determine a State cost share using a Local Agency application. After the written description below, the total State cost share is calculated on the worksheet provided in Exhibit 4.

Shady Creek Flood Control Project:

The River City Flood Control District has requested State cost share assistance for their Shady Creek Flood Control Project. The Project is located along Shady Creek from downtown River City to the Pacific Ocean.

The Project will widen the creek channel to increase flood flow capacity. The increased capacity will reduce potential flooding and subsequent property damage. The current Shady Creek capacity is 1,500 CFS (10-year storm event). The Project will provide 3,000 CFS capacity (100-year storm event). The project's benefit to cost ratio (BCR) is 1.5. The Project's increase in Shady Creek storm flow capacity and subsequent reduced floodplain will provide flood protection to nearby Highway 123 and Route 32.

Natural creek bed improvements will provide fish baffles, ledges, and refuge to enhance the habitat for the endangered Steelhead Trout. To provide mitigation, native willow trees will be planted by the creek banks to provide a canopy of dense shade for the Steelhead Trout. Approximately 10,000 square feet of native shrubs will also be planted along the creek banks. The associated park lands were acquired to provide open space settings for this Project. Pathways, benches, and interpretive signage will be added to create park spaces near the creek banks. These easily accessible areas will provide opportunity for bird watching and similar outdoor activities. Costs associated with these activities are paid by the applicant at approximately 4% of the Total Project Cost.

The Project has received a Gold Award from the ISI Envision ranking system.

The Benefited Area has a Median Annual Household Income of $42,000. This is 69% of the California Median Annual Household Income (assume $61,000).

Project Evaluation:

1. Baseline State Cost Share
    - The project qualifies for a baseline cost share of 50%.

2. Disadvantaged Area Objective
    - The Benefited Area has a Median Annual Household Income of $42,000, which is 69% of the California Median Annual Household Income (assume $61,000).
    - The Disadvantaged Area State cost share increase is 11%.
    - The project qualifies for an additional cost share of 11%.

3. Multi-benefit Features Objectives

A. State Facilities Objective

- Highway 123 lies within the boundaries of the Benefitted Area.
- Route 32 also lies within the Benefitted Area. Route 32 isn't a State Transportation Facility, so it doesn't meet the requirement for this objective.
- The project qualifies for an additional cost share of 5%.

B. Setback Levee

- No setback levee opportunities were identified.

C. Sustainability Objective

- The project has received a Gold Award from ISI. The project qualifies for an additional cost share of 5%.

D. Open Space and Recreation Objectives

- Open Space land was acquired for the project, however, the land was not permanently restricted to Open Space uses and rights were not secured for future flood management operations and maintenance.
- Therefore, it doesn't meet the requirement for this objective.
- Some recreational improvements were included in the project. The Recreation improvement is 7% of the Total Project Cost.

E. Water Supply Objective

- No improvement to water supply was identified as part of the project.

4. Ecosystem Enhancements and Restorations Objectives

- Habitat improvements were provided for endangered fish species.
- Some of the Habitat improvements were required to mitigate the project's effects on the environment under the California Environmental Quality Act. Therefore, these Habitat improvements do not meet the requirement for this objective.
- The remaining Habitat improvements are 4% of the Total Project Cost.

5. System Improvement Objective

- No system improvements were identified as part of the project.

6. Benefit to Cost Ratio

- The project's benefit to cost ratio (BCR) is 1.5.
- The Project Cost share Calculation Worksheet will be used to determine the project's cost share.
- For this example, the project cost share is 81%.

The supporting calculations are provided in the examples below.

Example Project Cost Share Calculation Worksheet:

Project Cost Share Calculation		
Section No.	Criteria Description	Score (%)
1. BASE STATE COST SHARE		
A	Baseline	50%
2. DISADVANTAGED AREA COMMUNITY OBJECTIVE		
Exception to 70% cap, if the area qualifies (90% cap)		
A	Disadvantaged Area Community Percentage (0-40%)	11%
3. ECOSYSTEM ENHANCEMENTS AND RESTORATIONS OBJECTIVES		
A	Ecosystem Enhancements and Restorations Percentage (0-20%)	4%
4. MULTI-BENEFIT FEATURES OBJECTIVES		
Combination of State Facilities, Sustainability, Open Space and Recreation, and Water Supply Percentage (0-20%)		
A	State Facilities Objective (0/5/10%)	5%
B	State Sustainability Objective (0/5/10%)	5%
C	Open Space and Recreation Objective (0-10%)	7%
D	Water Supply Objective (0-10%)	0%
E	Total of Line Items (3A + 3B + 3C + 3D)	17%
F	Enter Lesser Value of 3E OR 20%	17%
5. SETBACK LEVEE SEGMENT		
Exception to 70% cap for the blended rate of the segment (80% cap)		
A	Setback Levee Segment Blended Rate (0-30%)	0%
B	Total (1A + 5A) – ***This percentage only applies to this segment of work***	0%
6. SYSTEM IMPROVEMENT OBJECTIVE		
Exception to 70% cap, if this plan is opted for (100% cap)		
A	System Improvement Percentage (0-50%)	0%
B	Total (1A + 5A) – ***This percentage only applies to this segment of work***	0%
7. GRAND TOTAL OF PROJECT COST SHARE		
A	Total (1A + 3A + 4F)	71%
B	Enter Lesser Value of 7A OR 70%	70%
C	Total (7B + 2A)	81%
D	Enter Lesser Value of 7C OR 90% - **Project Cost Share**, except for Setback Levee and System Improvement segments of work	**81%**